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BEFORE THE ARIZONA CORPORATION COMMISSION

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2011 AUG 26 P 4: 22

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DOCKETED BY

COMMISSIONERS
GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR APPROVAL OF ITS 2011
RENEWABLE ENERGY STANDARD
IMPLEMENTATION PLAN AND
REQUEST FOR RESET OF RENEWABLE
ENERGY ADJUSTOR

DOCKET NOS. E-01345A-10-0262
E-01345A-10-0166

APPLICATION TO MODIFY
RESIDENTIAL INCENTIVES

EXPEDITED TREATMENT
REQUESTED

Arizona Public Service Company (APS or Company) requests that the Commission authorize APS to offer residential customers photovoltaic (PV) incentives at \$1.00/watt through the end of 2011 — subject to available funds — rather than reintroducing the standard incentive at \$1.45/watt on October 1st. The continued high level of participation in APS's current \$1.00/watt residential incentive offering obviates the need to increase the incentive to \$1.45/watt. Further, keeping the incentive at \$1.00/watt will maximize the remaining residential incentive budget and permit more customers to participate, providing the best value for customers. The Company also requests permission to collapse the unused portion of all other budgets into a general budget from which APS could offer both \$1.00/watt incentives and incentives for all other technology types. Because the October 1 milestone rapidly approaches, APS requests expedited treatment of this Application. APS submits this Application pursuant to Arizona Administrative Code R14-3-106(F).

I. BACKGROUND

APS updated the Commission on the status of APS's compliance with the Commission's Orders regarding APS's residential incentives plan in a May 24, 2011 letter. That letter explained, among other items, how the Company planned to

1 administer the residential incentive program once reservations committed all remaining
2 standard residential incentive funding. Consistent with that filing and Commission
3 orders, APS has reviewed available funding on a monthly basis and reallocated over
4 \$3.4 million into the Rapid Reservation program (RRP), primarily as a result of project
5 cancellations. In addition, the Company transferred \$997,000 from its 2011 marketing
6 and outreach budget to the RRP pursuant to Decision No. 71274, for a total of over \$6.9
7 million available at \$1.00/watt. APS is currently required to reallocate all unused Rapid
8 Reservation funds to the standard residential incentive program and reopen APS's
9 standard residential incentive program at \$1.45/watt on a first-come, first-reserved basis
10 beginning October 1, 2011.¹ The degree of customer participation at the \$1.00/watt
11 incentive level, however, suggests that a prudent course of action would be to maintain
12 the \$1.00/watt incentive level for the remainder of 2011.

13 **II. STEADY PARTICIPATION IN THE \$1/WATT INCENTIVE**
14 **REVEALS THAT HIGHER 2011 INCENTIVES ARE**
15 **UNNECESSARY.**

16 APS received sufficient reservations to commit all remaining \$1.45/watt
17 incentives by June 10, 2011. Since that date, APS has offered incentives to customers
18 through the RRP at \$1.00/watt and has seen continued strong customer participation. As
19 of last week, APS has reserved over 453 residential applications at \$1.00/watt for a total
20 just under \$3.2 million, with an average of about 50 applications per week.

21 Based on the continued steady participation in the RRP, the Company proposes
22 that it use any remaining funds beyond October 1 at the \$1.00/watt level until funding is
23 depleted. The current level of applications at the \$1.00/watt incentive level suggests that
24 the market does not require a \$1.45/watt incentive to encourage customer participation.
25 Offering only \$1.00/watt incentives would provide the best value to customers by
26 ensuring more solar facilities for less cost to customers. Indeed, customer participation
27 in the \$1.00/watt incentive has caused APS to begin evaluating whether lower incentives

28 ¹ See Decision No. 72022 dated December 10, 2010 and Decision No. 71274 dated February 11, 2011.

1 may provide more value to customers in future years as well. Finally, maintaining the
2 \$1.00/watt incentive and not re-introducing the standard incentive at \$1.45/watt, will
3 stretch incentive funding further through 2011 and allow installers to continue selling to
4 their customers for a longer period of time.

5 **III. APS REQUESTS PERMISSION TO REALLOCATE TO THE RPP**
6 **INCENTIVE DOLLARS THAT CUSTOMERS WILL NOT USE.**

7 While APS has witnessed a high demand in its residential grid-tied PV incentive
8 program, incentives for off-grid, non-PV technologies incentive have maintained a more
9 moderate pace. The Company has received an average of 30 applications per week for
10 off-grid, non-PV incentives. As of the date of this filing, over \$2.2 million remains in
11 the 2011 budget for these incentives — about 55% of the originally allocated budget.
12 Based on this rate, APS anticipates that excess funding will remain at the end of the
13 year. The Company proposes to reallocate any of this excess funding that remains on
14 November 1, 2011 into a general budget from which APS could offer both (i) \$1.00/watt
15 incentives; and (ii) incentives for all other technology types at their current 2011
16 incentive levels. APS proposes to make incentives funded by this general budget
17 available on a first-come, first-served basis. This general budget would also include
18 excess, unused funding remaining in the budgets for APS's existing American Recovery
19 and Reinvestment Act, Energy Assistance for Renewable Neighborhoods and Innovative
20 Technology programs on November 1. Opening these unused funds to the \$1.00/watt
21 incentive program will maximize the chance that all 2011 funding is fully allocated at
22 year end.

23 **IV. APS REQUESTS PERMISSION TO ACCEPT APPLICATIONS**
24 **FOR 2012 ACTIVITY ONCE 2011 FUNDS ARE EXHAUSTED.**

25 APS's May 2011 letter also stated that once the 2011 residential incentive funds
26 are completely exhausted, the Company will no longer accept applications until the first
27 quarter of 2012, subject to Commission approval of the APS 2012 RES program budget.
28 Given recent discussions during the August Special Open Meeting, however, ceasing the

1 flow of applications once 2011 funding is exhausted may cause instability to the
2 industry and customers. APS expects that reallocating funds as described in this letter
3 will provide sufficient incentives to accommodate customer applications through the end
4 of 2011. Additionally, the Company proposes that should reservations exhaust 2011
5 incentive funds, APS should be permitted to accept applications against its 2012
6 residential incentive budget before January 1, 2012 up to \$2.0 million. APS would place
7 these applications in a queue and issue a reservation on January 1, 2012, assuming the
8 Commission approves a 2012 Implementation Plan that confirms sufficient funding for
9 the applications.

10 V. CONCLUSION

11 APS's goal is to facilitate the most amount of solar at the least cost. In light of
12 market behavior, maintaining a \$1.00/watt incentive level makes achieving that goal
13 more likely. Further, ensuring funds get used where they are needed most will
14 maximize value to APS's customers. Accordingly, APS requests that the Commission
15 issue an Order under APS's 2011 RES Implementation Plan authorizing APS to:

- 16 1. Create a general incentive budget on October 1 through the end of 2011 from
17 which APS can offer incentives for all technology-type incentives;
- 18 2. Offer residential PV incentives at the \$1.00/watt level only through the end of
19 2011 instead of renewing the \$1.45/watt residential PV incentive;
- 20 3. Reallocate to the general incentive budget any amounts remaining as of
21 November 1, 2011 in the following budgets: (i) off-grid, non-PV; (ii)
22 American Recovery and Reinvestment Act; (iii) Energy Assistance for
23 Renewable Neighborhoods; and (iv) Innovative Technology; and
- 24 4. Begin accepting applications for 2012 residential PV incentives up to \$2
25 million against the Commission-approved 2012 RES Implementation Plan
26 residential incentive budget should reservations exhaust APS's 2011 incentive
27 budget.

1 RESPECTFULLY SUBMITTED this 26th day of August, 2011.

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3
4 By: 

5 Thomas A. Loquvam
6 Attorney for Arizona Public Service
7 Company

8 ORIGINAL of the foregoing
9 filed this 26th day of
10 August, 2011, with:

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